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Chilean Agricultural Policy

by OSCAR MOORE*

Chilean agricultural policy is expressed in many programs, not all of which have been initiated with agriculture alone in mind, but all have a bearing upon it in one way or another. These include exchange control; international-trade control; price control, commencing in 1932; subsidization of production and exportation; establishment of the Corporation for the Promotion of Production; promulgation of an 18-year Agricultural Plan; and the promotion of agricultural colonization. These elements of policy have developed chiefly during the past two decades, since Chile was governed from 1810 to about 1920 by an aristocratic, cultured class of large landowners who demanded a *laissez-faire* agricultural policy for the nation. Since the early 1920's, however, Chile, like many other countries, has experienced land reform, and a class of small landowners has come into existence. A planned agricultural economy is developing, as a consequence, at least partly, of the depression of the 1930's and World War II.

Trade in Agricultural Products

The Chilean economy is extremely vulnerable because of its dependence upon copper and nitrates. These minerals dominate the nation's exports, of which agricultural commodities constitute a minor part. This vulnerability is the key to Chile's agricultural policy, the chief objectives of which have been to encourage self-sufficiency in food and to increase agricultural exports in order to overcome the country's great dependence upon minerals for foreign exchange. A survey of recent trends in international trade, therefore, provides a background for a better understanding of the nation's agricultural policy.

Chile is the foremost exporter of copper in the world; it is second in production only to the United States. In three mines, Chile possesses 37 percent of the world's copper reserves. Iron and coal are likewise important Chilean minerals. Agricultural products, including pastoral and forest products, hold second place in value of total Chilean exports and imports (tables 1 and 2).

In many respects, however, the country's domestic economy has a predominant agricultural basis upon which governmental policies center. Relatively few Chilean nationals are engaged in mining and industry; the majority gain sustenance from the soil. Chile's mineral industries are operated largely by foreign interests.¹ Agricultural

production, on the other hand, is entirely a domestic interest.

The geographic location and physical configuration of the country, combined with its varied climatic and soil conditions, permit the production of a greater variety of crops in Chile than in most of its Latin American neighbors. Chile is believed to be in normal times about 90 to 95 percent self-sufficient in foodstuff and feedstuff production. Although its agriculture is tending toward an intensive type of farming, with an increasing diversity of crops, the country is still dependent upon Peru for cane-sugar supplies; upon Argentina for a certain number of livestock and livestock products, certain fats and oilseeds, and some wheat; and upon tropical regions for coffee, tea, and spices.

Products normally produced in exportable quantities include wool; a variety of fresh, dried, and preserved Mediterranean-type fruits; honeydew melons; oats and barley; legumes, including beans, peas, lentils, and chickpeas; rice; truck crops; and wine. Because of reverse seasons in the Southern Hemisphere, Chile's perishable fruits and vegetables are in demand on markets of the United States and Europe during periods of scarcity in these northern regions.

Wool and leguminous products, principally lentils and beans, are Chile's most important agricultural products. Prior to the war these products were exported largely to Europe, but the United States absorbed most of them during the war. Chile is one of the world's leading producers and exporters of dry edible beans. Cereals, mainly barley and oats going ordinarily to Europe, have represented about 1.2 percent of Chilean exports.

The majority of Chile's import items consist of manufactured articles (table 2). Important agricultural import commodities are medicinal plants and drugs, oilseed products, vegetable fabrics, and cereals—chiefly wheat. From 1933 through the first 6 months of 1944, 70 percent of all Chilean imports, by value, consisted of manu-

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¹ United States investments in Chile are exceeded in this hemisphere only by those in Canada and Cuba. They total approximately \$700,000,000, including loans, and center in copper and iron mining.

factured and industrial products, and nearly 7 percent of processed foodstuffs. Agricultural products, including products of waters, forests, and the pastoral enterprises, represented, on an average, 14 percent of the value of all Chilean imports. Since 1936, agricultural imports have increased, reflecting primarily larger livestock imports. Cattle, horses, and sheep coming from Argentina, are frequently driven in through passes in the Andes.

Sugar represents more than three-fourths of the imported processed foodstuffs. The remaining one-fourth consist mainly of meats, processed edible oils, dairy products, starches, and flour. Chilean sugar imports come chiefly from Peru, but before World War II some came from Cuba. The high price of imported sugar has induced the Chilean Government to promote sugar-beet culture.

Status of Agriculture

Recent agricultural conditions in Chile reflect the following basic trends: (1) The population has been increasing, by 18 percent from 1930 to 1943 (table 3); (2) the area devoted to cereals and vegetables has increased irregularly, though less rapidly than population; (3) the per capita area devoted to cereals and vegetables has tended

to decrease since 1938; and (4) cattle numbers have shown no tendency to increase since 1933.

One of the dominant problems in further agricultural development in Chile is the scarcity of good land. Chile has a total area of 296,717 square miles, or slightly less than the combined area of California, Oregon, and Washington. On the basis of its estimated 1943 population of 5,237,000, the density of population in Chile is 17.7 persons per square mile, compared with 42.7 in the United States; 11.6, Argentina; 13.5, Peru; and 13.2, South America as a whole.

Approximately three-fifths of the Chileans are concentrated in the central region, embracing about one-fifth of the total area and giving this region an average of approximately 53.0 persons per square mile. Northern Chile is such a complete desert that the only people who live there are those directly or indirectly engaged in mining nitrates and copper. Southern Chile, except for the vicinity of Magallanes, which has numerous protected valleys excellent for sheep raising, has persistently disagreeable weather and is inhabited only by a few hardy aborigines. The population as a whole, is predominantly white, with relatively few Indians or mestizos.

In 1942-43 a total of 79 million acres were cropped, lying fallow, in pasturage, and in fruits, grapes, and forests. Of this total, 3,035,000 acres

TABLE 1.—*Value of Chilean exports,¹ specified years, 1933-44*

Item	1933	1936	1938	1940	1941	1942	1943	1944 ²
	1,000 dol.	1,000 dol.	1,000 dol.	1,000 dol.	1,000 dol.	1,000 dol.	1,000 dol.	1,000 dol.
Natural products of water and forest.....	533	588	1,123	833	650	996	1,367	948
Animal products:								
Livestock.....	79	180	185	117	109	94	149	100
Wool and other animal textile fiber.....	3,047	5,556	5,627	4,942	6,267	4,759	6,218	3,647
Hides and other animal matters, crude.....	1,890	3,276	2,459	3,346	1,457	1,668	2,734	1,471
Poultry products, honey, and silkworms.....	183	647	583	146	238	324	447	222
Total animal exports.....	5,199	9,659	8,854	8,551	8,071	6,845	9,548	5,440
Agricultural products:								
Plants and seeds.....	118	257	130	64	302	490	378	108
Cereals.....	823	3,530	3,375	969	1,329	951	2,963	1,693
Legumes (beans, peas, etc.).....	1,719	5,703	6,426	4,680	4,546	3,589	3,376	2,158
Fruits, tubers, and vegetables.....	1,121	2,111	2,101	1,248	1,196	1,482	1,715	1,217
Spices.....	154	461	301	456	852	756	604	821
Animal feedstuffs.....	119	460	401	120	18	7	6	3
Cotton and other vegetable fibers.....	60	730	1,022	1,234	2,640	4,948	3,597	1,333
Total agricultural exports.....	4,114	13,252	13,756	8,771	10,883	12,223	12,639	7,333
Total all items above.....	9,846	23,499	23,733	18,155	19,604	20,064	23,554	13,721
Mineral products ³	36,662	85,692	110,125	119,114	132,362	149,173	141,472	85,335
Manufactured and industrial products.....	3,443	3,713	5,075	4,669	6,107	8,487	13,451	10,011
Manufactured foodstuffs, incl. meat.....	1,570	2,369	3,032	2,703	2,542	2,842	4,323	3,344
Specie and precious metals.....	1,941							
Total all exports.....	53,462	115,273	141,985	144,641	160,615	180,566	182,800	112,411

¹ Values f. o. b. frontier, excluding export duties. Chilean pesos converted to U. S. dollars.

² January-July only.

³ Chiefly copper and nitrates.

Compiled by the Office of Foreign Agricultural Relations from official statistics of Chile.

TABLE 2.—Value of Chilean imports,¹ specified years, 1933-44

Item	1933	1936	1938	1940	1941	1942	1943	1944 ²
	1,000 dol.	1,000 dol.	1,000 dol.	1,000 dol.	1,000 dol.	1,000 dol.	1,000 dol.	1,000 dol.
Natural products of water and forest.....	48	306	505	443	770	813	583	229
Animal products:								
Livestock.....	292	812	2,330	3,428	2,615	3,551	9,791	5,618
Wool and other animal textile fiber.....	10	374	372	146	198	356	202	167
Hides and other animal matters, crude.....	11	195	470	397	189	116	66	224
Poultry products, honey, and silkworms.....	25	68	82	75	64	48	45	20
Total animal imports.....	338	1,449	3,254	4,046	3,066	4,071	10,104	6,029
Agricultural products:								
Plants and seeds.....	36	50	71	87	93	164	177	178
Cereals.....	1,893	912	1,584	43	331	2,085	812	1,329
Fruits, tubers, and vegetables.....	275	320	481	682	716	679	639	687
Medicinal plants and drugs.....	1,147	2,358	2,219	2,802	3,505	5,393	4,735	3,339
Spices.....	24	82	79	157	290	176	42	26
Animal feedstuffs.....	(1)	(4)	9	7	27	57	61	7
Textiles of vegetable origin.....	53	835	1,333	1,448	2,131	3,397	3,928	2,616
Oilseed.....	342	1,002	1,865	2,769	2,255	2,698	2,360	1,339
Tobacco, nonprocessed.....	46	56	104	91	118	223	279	42
Total agricultural imports.....	3,816	5,615	7,745	8,086	9,466	14,872	13,033	9,563
Total all items above.....	4,202	7,370	11,504	12,575	13,302	19,756	23,720	15,821
Mineral products ³	1,873	3,862	6,273	10,473	10,632	13,820	15,887	7,365
Manufactured and industrial products.....	21,524	60,188	84,879	81,051	84,141	94,432	91,463	51,399
Manufactured foodstuffs, incl. meat.....	3,544	3,468	5,140	5,109	4,314	10,631	12,697	7,891
Specie and precious metals.....	6	5	53	248	110	249	199	3,321
Total all imports.....	31,149	74,893	107,849	109,456	112,499	138,888	143,966	85,797

¹ Chilean pesos converted to U. S. dollars.² January-July only.³ Chiefly coal and petroleum.⁴ Less than 0.05 percent.

Compiled by Office of Foreign Agricultural Relations from official statistics of Chile.

were cropped, and 462,000 were planted to fruits and vines. The total Chilean tilled land potential is estimated at 15,500,000 acres, or about 7.8 percent of the total land area. This includes, in addition to cropped and fallow land, the fruit and grape acreage, and land in seeded pasturage, 7,160,000 acres now in natural pasturage, which is considered capable of being cultivated.

The potentially arable area is about double that at present in crops, thus providing substantial room for expansion. Chile is faced, however, by a serious soil-erosion problem. The nature of the terrain, the seasonal pattern of precipitation, and the lack of conservation practices have caused extensive damage to the soil. This has become more and more serious as agriculture has expanded from the rich valley bottom lands up onto the rolling hills and the mesas. The Chilean Government, however, has initiated soil-conservation work, which it plans to expand.

Need for irrigation on any new farm acreage has been an additional handicap and an added expense. Cereals cannot be produced on irrigated land in Chile at prices that permit competition with Argentina. Irrigation in the valleys of the northern and central regions has been developed at high cost of construction and maintenance. The configuration of the valleys, with little flat country

and many hillocks, makes irrigation difficult, and the tax for the use of the water is an item of heavy expense. Existing irrigation facilities, many of which remain about as they were designed originally according to Inca engineering principles, need development and improvement. There is a special need for better distribution of water supplies, which are largely controlled by large landowners, leaving the small property owners in a vulnerable situation.

Many farmers, especially the smaller ones, depend too heavily upon the predominating cereal-and-livestock pattern of production. This dependence might be relieved through diversification by the production of truck crops, milk, small livestock (such as poultry and hogs), and fruits.² Furthermore, genetic improvement of crops and livestock and the introduction of more scientific farm management would help to reduce high farm costs resulting from certain environmental, physical, and mechanical factors. Although hand labor, at best inefficient as compared with modern machinery, is used extensively in agricultural production and processing, the Government is promoting mechanization and improvement of farming methods.

² INSTITUTO DE ECONOMÍA AGRÍCOLA. AGRICULTURA CHILENA DE POST-GUERRA: INFORME DE LA COMISIÓN DE AGRICULTURA DE POST-GUERRA. 73 pp., illus. Santiago. 1944.

One hindrance to agricultural expansion is that many of the soils need heavy applications of fertilizers which, with the exception of sodium nitrate, are not too plentiful in Chile. Imported materials are expensive, and consequently they have not been used in quantity. The Government, under the auspices of the Fomento Corporation, is currently attempting to increase domestic production of phosphates by utilizing certain low-yielding deposits.³ The Corporation and the Agrarian Credit Bank are attempting to encourage the use of more fertilizer by lowering prices and offering credit.

Land Tenure

Chile has a traditional hacienda (large-land-holding) system of land tenure, which is an outgrowth of the Spanish conquest of South America. Low-ranking Spanish soldiers were given small holdings; officers and other important personnel were given vast acreages—haciendas—which the descendants of the original conquistadores have held virtually ever since. While most of these old estates have been divided once or twice by inheritance, not much change in size or tenure has occurred otherwise because of a strong social motive to retain ancestral lands unbroken. A few are of such great size that they reach from the Pacific to the Argentine frontier. In the present century, however, a tendency to break down the haciendas has appeared. Nevertheless, they still dominate Chilean agriculture.

In 1925, according to McBride,⁴ there were 82,084 properties in the central region from Coquimbo to Bío-Bío. Of these, 5,396 were classified as haciendas. They represented only about 7 percent of the total properties but included 89 percent of the farm land in central Chile. In the rich Province of Aconcagua, located in the Valley of Chile, 3 percent of the properties contained 98 percent of the farm land. Of the largest haciendas, 375 comprised less than 0.5 percent of the total number of properties but embraced 52 percent of all land privately owned in central Chile.

Hacienda labor is performed chiefly by *inquilinos*, or resident tenants who, as a rule, remain upon the same property generation after generation. They are attached to the hacienda not in bondage but as tenants by established custom between themselves and the hacendados.

An *inquilino* receives the equivalent of from 3 to 20 cents daily in actual cash; shelter in the form

of a hut; the use of 1 or 2 acres of land upon which he can raise his own food crops; an ox, horse, or mule for use in cultivation; and sometimes a milk cow. These animals graze in the landlord's pastures. He is generally given two meals a day, usually consisting of bread and beans. The extent of such gratuities depends largely upon the good will of the supervisor of the hacienda, but the house and pay of the *inquilino* are better nowadays than previously.

The general belief is that the system of large landholding prevalent in Chile is incompatible with the most efficient and complete utilization of the land, and that this system probably has hindered attainment of a sound agricultural pattern. Reitz⁵ states—

With large areas and practically no taxes, it has been unnecessary from the owner's point of view to keep all of the productive land in cultivation. Herein is a clear cut case of where the taxation system of a nation may result in a poor use of its resources for the greatest benefit of society. . . . Hence, with an estate which many of the holders had come into by inheritance and with only a slight tax burden, the incentive for full utilization of the land was lacking.

It should be pointed out, however, that recent agrarian reform in Chile has resulted in increased land taxation to make up for the loss of revenue from nitrate taxation and purposely to encourage division of the large estate. In fact, a tax has been levied (1941) especially against land not cultivated but otherwise suitable for crop production.

The New Middle Class

Until about the time of World War I, the population of Chile was divided sharply into an upper and a lower class, comprising landowners and peasants, respectively. For the past several decades, however, a middle class has been emerging. Such a class is not general in Latin America, but recent colonization projects in Chile have aided its rise. The new class has opposed many of the traditional policies of the hacendados. Though liberal in thought, this expanding new group has brought about only a gradual evolution of ideals—not a

³ The domestic production of guano, phosphates, and lime in 1942 totaled 123,314 tons. Requirements are substantially greater than this quantity.

⁴ McBride, GEORGE MCCUTCHEN. CHILE: LAND AND SOCIETY. 408 pp. New York. 1936. (Amer. Geog. Soc. Res. Ser. No. 19.)

⁵ REITZ, J. WAYNE. LAND POLICY AND LAND TENURE IN THE ARGENTINE AND CHILE. 49 pp. Madison, Wis. 1940. (Type-written seminar paper, Univ. of Wis.)

sudden drastic transformation of revolutionary character. The Chilean upper class, on the other hand, has met the situation with intelligence, decision, and equity. Rather than creating a solid barrier to change, it has retired gradually, retarding the force of the new order and thereby allowing it to develop slowly and securely.

On the basis of these changing conditions, Chile's history, as related to agricultural policy, can be summarized as follows—

I. 1810 to 1920: Old agricultural Chile, the heyday of the great quasi-feudal haciendas, the aristocratic, cultured owners of which ruled the nation, staunchly advocating a *laissez-faire* policy.

II. 1920 to date: Transitional Chile, the anticlimax of the control of the nation by the conservative hacendado class and the emergence of a middle class; a period noted by the development of social liberalism, attempted emancipation of the masses to a higher economic level, and the evolution of a new semi-industrial, modernized economy tending toward a planned agricultural economy.

Prewar Government Measures

As early as 1926, the Chilean Government took steps to control and stimulate the production and exportation of agricultural products. Measures were likewise passed to provide agricultural credit under Government direction, to control and foster rural colonization, and to raise the nutritional level of the lower income groups. Since the Ministry of Agriculture does not serve as a single inclusive agency dealing with all phases of agriculture, a number of organizations are involved in the implementation of the national agricultural policy. The establishment of an agricultural credit bank and an Agricultural Colonization Bureau in 1926 was basically an agrarian reform movement. Later, in 1930, an Agricultural Export Board was set up to control marketing, export movement, and prices to producers of such items as barley, wheat, flour, beans, peas, lentils, and fruit. The Board's power has been frequently used to impose maximum and minimum prices for wheat and wheat products.

In Chile, private agricultural organizations perform many functions which, in other countries, ordinarily are services contributed by the Government's agricultural agencies. They are powerful and solidly organized.

The National Agricultural Society⁶ is the principal private farm body. It is composed of regional agricultural societies⁷ which at times have

had conflicting interests, and its membership includes nearly all the large farm owners or hacendados. In addition to exerting a great influence on the nation's agricultural policy, the Society operates a complete, modern experimental station, maintains a Biological and Veterinary Medicine Institute, and sponsors annual livestock and agricultural expositions. As the small-landholder group has grown, however, it appears to look more to the Ministry of Agriculture for leadership, and the Society has lost some of its influence.

AGRICULTURAL CREDIT

After the establishment of an agricultural credit bank in 1926 the extension of credit to farmers became an important instrument in Chile's national agricultural policy. Government lending institutions include the *Caja de Crédito Agrario*, *Caja de Crédito Hipotecario*, *Corporación de Fomento de la Producción*, and the *Caja de Colonización Agrícola*, which is concerned primarily with making loans for colonization purposes. In addition, private loans are made by commercial banks, savings banks, numerous other firms, and individuals.

The mortgage debt load of Chilean farmers advanced from 141 million pesos in 1933 to 450 million in 1942, but the latter figure is by no means alarming. It reflects an increase in funds available through State and private mortgage banks and general banking channels.

COLONIZATION

The Bureau of Agricultural Colonization has performed a delicate function in the Chilean Government's agrarian program. When created, the Bureau was allocated 100,000,000 pesos for the establishment of agricultural settlements, which, at the outset, were to be located predominantly in the central region. Land needed for colonization was to be acquired by purchase, or, if necessary, by expropriation. The President was given the power, within certain limitations, to expropriate land, but this power has never been exercised extensively. All property intensively cultivated, properties of 741 acres or less north of the Bío-Bío River, and those of 1,236 acres or less south of this river were exempted from expropriation.

⁶ *Sociedad Nacional de Agricultura*, formed by Chilean hacendados in 1838; it is not a cooperative-type organization.

⁷ Such as the Agricultural Society of the North, the Agricultural Society of the South, the Agricultural Development Society of Temuco, the Agricultural and Livestock Society of Osorno, and the regional associations of farmers (*Asociaciones de Agricultores*).

TABLE 3.—Population, cereal and vegetable acreage and production, and cattle numbers in Chile, 1930, 1933, and 1937-43

Item	Unit	1930	1933	1937	1938	1939	1940	1941	1942	1943
Population	Thousands	4,287	4,433	4,597	4,635	4,677	5,024	5,094	5,165	5,237
Cereal acreage	1,000 acres	1,968	2,602	2,466	2,622	2,477	2,280	2,115	2,209	2,353
Vegetable acreage	do	464	648	671	610	630	682	605	599	594
Cereal and vegetable acreage per capita	Acres	0.57	0.73	0.68	0.70	0.66	0.59	0.53	0.54	0.56
Production:										
Wheat	Million lbs.	1,271	2,118	1,817	2,130	1,895	1,727	1,725	1,891	(1)
Rye	do	(1)	(1)	18	20	14	13	12	14	(1)
Barley	do	186	323	360	240	161	166	152	161	(1)
Oats	do	163	252	265	337	187	150	148	173	(1)
Cereal production per capita	Pounds	378	607	535	588	483	409	400	433	(1)
Cattle, numbers	Thousands	2,388	(1)	2,460	2,634	2,356	2,421	2,418	2,346	2,381

¹ Unavailable.

Compiled by Office of Foreign Agricultural Relations from official statistics of Chile.

Land acquired for colonization was divided into parcels and sold on easy terms. Subdivision of the parcels either by inheritance or sale was prohibited. The use of the land was to be governed by the Colonization Bureau in an effort to keep the land in small units and encourage the production of crops most in demand locally.

The first colony was formed in the Central Valley near Santiago by the purchase on the open market of 850 acres of irrigated land, which was divided mainly into 25-acre plots, each of which was provided with a house and improvements.

In 1933, additional measures were enacted for the creation of colonies in southern Chile, and many have since been established. The colonization law requires that a minimum of 10 experienced agriculturists be placed on as many properties in a single colony. A number of the larger colonization projects have been organized as collective farms under State management, not in an effort to socialize agriculture and abolish individual holdings, but rather to serve as training grounds for prospective colonists who need instruction in modern farming technique. After receiving the needed instruction on a State collective farm, the trainee is transferred onto land of his own.

On irrigated properties, individual allotments of land range in size from 10 to 40 hectares (about 25 to 100 acres). Not more than 500 hectares (1,235 acres) of nonirrigated land are included in one property. By 1937,^s 58 agricultural colonies had been founded, on an area totaling about 1,200,000 acres. The *inquilino*, or farm laborer, who has the greatest need for land of his own, has, however, been unable to acquire it through the colonization projects, because, although the terms provided for the purchase of small farming units are relatively easy, he is not financially able to meet them.

EXCHANGE CONTROL

During the depression of the 1930's, when the industrial nations virtually ceased to purchase Latin American raw materials, Chile faced a serious shortage of exchange, which was needed for servicing foreign debts and for the purchase of essential imports. In an attempt to improve conditions, Chile, in line with neighboring republics, set up exchange control. This program, undertaken in 1931 and enduring to date with various changes in the degree of control has been one of the most extensive in the Western Hemisphere.

Control of foreign exchange, and hence control of imports and exports, in Chile was vested in an Exchange Control Commission (*Comisión de Cambios Internacionales*) and in the Central Bank of Chile (*Banco Central de Chile*). The Commission is empowered to pass on applications for the purchase of exchange necessary to pay for imported goods. In this way, it can limit the importation of many goods. Approved import items are generally goods that cannot be produced locally but are necessary for the national welfare. Exporters must use accumulated foreign-exchange balances in payment for approved imports, or such balances may be sold to third parties for similar purposes. Tendencies toward bilateral balancing of trade have been strong in the management of the exchange-control system.

Authority for the exportation of all products, except nitrates, iodine, copper, and iron ore, is granted on condition that all exchange so derived will be returned to Chile. This exchange must be sold to the Central Bank at rates applicable to the commodity exported. These rates were 19.37, 25.00, 32.24, and 31.00 pesos to the U. S. dollar on July 31, 1945, the rate applicable being determined

^s The latest available data.

by specific regulations. In general, the higher rates are applied to stimulate exports of a product.

Since the issuance of import permits is based on the domestic essentiality of the goods and freedom from competition with domestic products, the outflow of capital is regulated. The importer must have a permit in order to purchase the exchange needed for his transaction at one of the official rates.

TRADE CONTROL

In addition to exchange control, a broad program for imposing other controls over imports and exports prevails. It includes export duties,⁹ other fees¹⁰ levied against imports, licenses and quotas, and a nitrate sales monopoly; legislation¹¹ proposing a State petroleum monopoly, which has never been put into effect; compensation and clearing agreement,¹² and the establishment of an agricultural control board and an office of the Commissariat General of Subsistence and Prices.

Quotas covering importations were set up under Decree Law No. 138 (1932), later superseded by Law No. 5202 (1933). An importer must secure a pre-authorization and an entry authorization, as well as an exchange authorization, before goods can be brought into the country. Some use has also been made of export quotas, inasmuch as the Chilean Congress authorized the Executive to fix official quotas on agricultural exports. Import quotas have been set on beans, melons, garlic, livestock, and a few other commodities. These quotas have been used for several purposes; such as to prevent a short domestic supply, control domestic prices, and to govern the supply of Chilean products on foreign markets.

The Agricultural Export Board,¹³ composed of seven Executive-appointed members, was created as an administrative agency to stimulate the production and exportation of agricultural commodities. The Board was empowered to pay bounties and export subsidies for the purpose of opening new foreign markets and to fix agricultural prices in the domestic market. A minimum wheat price was fixed in 1931. An export bounty on oats was established. The powers of the Board were extended by Law No. 5713 in 1935, at which time the Board began to trade in wheat and its products. The Board, on its own account, thus purchased wheat, which it exported; and, whenever necessary, it also imported wheat. Power was given the Board to acquire any facilities

needed in these activities and to fix the price of flour and bread.

On October 10, 1939, the life of the Board was extended and its activity broadened in scope. At that time, in addition to wheat, it began to purchase, sell, and handle other products, including barley, beans, peas, lentils, and fruit.

PRICE CONTROL

Prior to the start of World War II in 1939, the Commissariat General of Subsistences and Prices¹⁴ fixed prices and regulated trade in potatoes, rice, sugar, beans, wheat, cola, alcohol, and candles. The enactment of the law which created the Commissariat, Decree Law No. 520, of August 30, 1932, was precipitated by the economic depression. The improved economic conditions prevailing from 1934 through 1938 permitted the Commissariat, however, to become practically dormant. On January 24, 1939, Chile experienced a devastating earthquake in which 10,000 lives were lost; 70,000 persons were rendered homeless; numerous small towns, farms, and portions of cities were destroyed; and a total estimated property damage of \$40,000,000 was inflicted. This catastrophe forced the Government to revive the law in an effort to control prices, which increased in reaction to a decline in the exchange value of the peso.

After July 1939, and to a greater degree after the start of World War II, the Commissariat's power was applied with increasing vigor. Its jurisdiction was broadened to include all essential products, and its power, virtually unlimited by law, would have created an economic dictatorship if it had been fully exercised. The Commissariat's duties have been summarized¹⁵ thus—

It can declare an industry in a state of overproduction, and thereafter, control prices, close plants, grant import monopolies, restrict the expansion of new plant capacity, fix standards for the quality and containers of regulated

⁹ When World War II started, export duties were levied against boric acid, dried and canned fruits, iron ore, hides, and skins.

¹⁰ Including a so-called statistical tax imposed in lieu of consular invoice fees, a warehousing tax, and a port charge (*movilización*) for maintenance of port services.

¹¹ ROMAN, AGNES. STATE REGULATION IN CHILE. In U. S. Sen. Temporary National Economic Committee, Regulation of Economic Activities in Foreign Countries, Pt. VI, Monog. No. 40, 177 pp. Washington. 1941.

¹² Compensation agreements usually have provided that imports from other nations were to be proportionate to the quantity of Chilean goods sold to them.

¹³ *Junta de Exportación Agrícola*, established December 18, 1930, by Law No. 4912.

¹⁴ *Comisariato General de Subsistencias y Precios*.

¹⁵ UNITED STATES TARIFF COMMISSION. ECONOMIC CONTROLS AND COMMERCIAL POLICY IN CHILE. 25 pp., illus. Washington. 1945.

products, take measures to prevent hoarding and speculation, and modify the customs duties on goods competing with the articles subjected to regulation. It has authority to designate commodities to be "articles of prime necessity" and to subject the industries concerned to regulation with regard to manufacture, importation, exportation, distribution, transportation, quality, weight, and measurement.

Prices of foodstuffs, clothing, fuel, construction materials, industrial products, and raw materials were fixed. Shops attempting to profiteer were temporarily closed.¹⁶ The Commissariat granted a monopoly for the importation and distribution of tea. It established outlets of its own for the distribution of certain groceries and fuel. Textile manufacturers were required to establish retail stores at their factories, or in Santiago, to sell fabrics at a fixed percentage above wholesale prices.

Wartime Agricultural Measures

In addition to the several Chilean governmental activities in the agricultural field at the start of World War II, as already noted, others were undertaken during the course of the war. Both old and new agencies administered various phases of the nation's wartime agricultural program. The Institute of Agricultural Economy was interested primarily in wheat, certain other commodities, and in general agricultural economic planning. The Agrarian Credit Bank performed many functions similar to those performed by the Farm Credit Administration in the United States. The Colonization Bureau continued to procure large properties and sell them in small parcels.

The semifiscal Corporation for the Development of Production, popularly known as the Fomento Corporation, contains an Agricultural Division, which in cooperation with forestry, water facilities, engineering, rural electrification, and other services of the Corporation, has engaged in agricultural-development programs. Domestic prices of most agricultural products were controlled during the war to varying degrees by the Institute of Agricultural Economy and the Commissariat of Subsistence and Prices. An additional planning agency, the Chilean Commission on Postwar Agriculture, has been making extensive studies of postwar agricultural possibilities.

In 1942, the Exchange Control Commission, the Export Control Service, the Commission of Import Licenses, and the National Supply Board were consolidated by Executive decree into one composite body, the National Foreign Trade Council.

The Council, since its founding, has been charged with the responsibility of standardizing and enhancing the reputation of Chilean products in foreign markets, action for which was begun in 1940. It promulgates rules and practices of inspection, marking, standardization, packing, and weighing.

The production of nitrates and copper expanded greatly during the course of the war, which production was absorbed by the Allies. In many cases, however, established markets were lost. Lack of shipping facilities and diversion of materials to war usage in supplying countries prevented Chile from procuring many needed goods. As a result, Chile was able to sell goods (particularly minerals) but was unable to purchase needed supplies. Hence, a huge exchange balance was created, which could not immediately be used to purchase necessities. Inflation resulted, chiefly because goods could not be imported in sufficient quantities to meet domestic demands. Regardless of attempted price-control measures, living and other costs climbed upward. Chile, like other Latin American nations, wishes to see the credits accumulated during the war used to make capital investments—to buy machinery and, hence, to industrialize—rather than to continue the importation of manufactured articles as heretofore.

Acute wartime shortages of farm machinery, drugs, automobiles, tires, construction materials, iron, steel, nonferrous metals, and foodstuffs tended to inflate prices. These shortages resulted from insufficiency of imports because of wartime shortages in the supplying countries, as well as shortages of shipping facilities. Domestic prices of imported goods increased greatly, although the principal imports, which were derived from the United States, moved under prices fixed by the U. S. Office of Price Administration. Increases in domestic wages and domestic costs of production, as well as speculative activities, caused price inflation to spread throughout the Chilean economy. A situation has thus been created in which the purchasing power of the Chilean peso in foreign markets is disproportionately higher than in the domestic market.

INSTITUTE OF AGRICULTURAL ECONOMY

A Presidential Decree, issued August 7, 1942, created an Institute of Agricultural Economy, which was organized by a fusion of the Agricul-

¹⁶ U. S. OFFICE OF PRICE ADMINISTRATION. CHILE; PRICE CONTROL AND RATIONING. 29 pp. Washington. 1942. [Processed.]

tural Export Board, Bonded Warehouse Committee, Cold Storage Service, and Fertilizer Council. It is governed by an administrative council presided over by the Minister of Agriculture and composed of the Minister of Treasury, the Minister of Economy and Commerce, the Presidents of the Mortgage Bank, the Agricultural Credit Bank, and the Agricultural Colonization Administration, representatives of agricultural societies, and faculty members of the University of Chile. This organization was established in reaction to the fact that the acreage of wheat sown in 1941-42 was the smallest in over a decade, which was blamed, in part, on the low prices set for wheat in comparison with other more remunerative crops. Minimum rather than maximum prices have been emphasized.

In 1943, the Council of the Institute of Agricultural Economy agreed as follows regarding its wheat production program for Chile—

To assign the profits to be obtained from the importation of wheat from Argentina, or any other countries, to a fund established for the purpose of increasing wheat production and lowering the price of this cereal and its derivatives, by establishing premiums for producers and such other incentives as may be appropriate, or by taking under its direct control the mills and bakeries of the country in order to ascertain the exact costs of milling and bread baking, and to introduce in both industries all of the modifications required to take the necessary steps to obtain a reduction in the costs of production . . .

Thus, a wheat-subsidy system was established; financed out of the profits of a wheat-import monopoly.

In addition to the task of fixing wheat, flour, and bread prices in Chile, the Institute of Agricultural Economy was authorized to centralize and coordinate the activities of the diverse organizations of the country concerned with agricultural production; to determine from the size of the crops the import needs of the country and set exportable-surplus quotas; and study the status of foreign markets and pay export premiums, if necessary. In addition to the latter provision, various products were to receive an indirect export subsidy through the application of more favorable exchange rates in covering export bills purchased by the Central Bank of Chile.

Other functions of the Institute were to be the coordination of the activities of the Mortgage Credit Institute and the Agricultural Credit Bank with the agricultural activities of the Fomento Corporation. It was to serve as a policy agency, guiding the Commissariat of Subsistence and

Prices and the National Foreign Trade Council in the administration of their agricultural duties. It was authorized also to pay premiums to encourage production and exportation.

THE FOMENTO CORPORATION

Two organizations, the Fomento Corporation and the Reconstruction and Aid Corporation, were created simultaneously by Chilean Law No. 6334¹⁷ of April 28, 1939. The latter Corporation was proposed as a relief organization to aid victims of the earthquake of January 1939. Legislation for the two Corporations was linked, presumably to ensure passage of the Fomento measure.

The administration and direction of the Fomento Corporation was entrusted to a Board of Directors representing various ministries, two members of the Senate and two of the House of Deputies, various state banks, agricultural and mining societies, certain business interests, and labor. The Fomento Corporation is represented on numerous boards of directors of commercial companies in which it has a financial interest.

The Board was charged with the drafting of a general plan for the promotion of national production, agricultural and otherwise; studying means of expanding production; promoting domestic manufacture or the importation of needed machinery and equipment; adopting measures to increase consumption of national products; and obtaining greater participation of Chilean interests in industrial and commercial activities. The Fomento Corporation has made a blueprint of the nation's industry, actual and proposed, and has been trying to raise the standard of living and develop self-sufficiency in agriculture and manufacturing. It does not control the business which it assists or in which it participates but in most instances acts somewhat as an agency providing capital and technical assistance. The Corporation has been financed by revenue derived from various taxes¹⁸ created by Law No. 6640, voluntary contributions, and credit¹⁹ extended by the Export-Import Bank.

The agricultural department of the Corporation consists of (1) an Agricultural Section, subdivided into a Forestation and a Lumber Division, (2) a Livestock Section, and (3) an Agricultural Ma-

¹⁷ Law No. 6334 was amended and numbered 6640.

¹⁸ Taxes on incomes collected in Chilean currency; a 10-percent tax, collected in dollars, on incomes of major copper producers; receipts from delinquent taxes, etc.

¹⁹ \$12,000,000 as of June 13, 1940; \$5,000,000 as of May 22, 1942; and \$5,000,000 as of February 23, 1943.

chinery Section, subdivided into a Division of Machinery Purchases and Sales and an Equipment Division.

As of December 31, 1943,²⁰ the Corporation had allotted a total of 1,465,300,000 pesos (\$47,268,000) for loans and investments. Of this, 225,900,000 pesos, or 15 percent, were to be used for agriculture, and 192,000,000, or 13 percent, for commerce and transportation.

The Fomento Corporation's agricultural program consists of the following lines of activity: (a) Training of agricultural technicians and the establishment of experiment stations; (b) mechanization of agriculture, including the domestic manufacture of standardized machinery, importation of machinery, and experimentation with new kinds of machinery; (c) expanding the use of fertilizers; (d) expanding the acreage of land under irrigation; (e) developing, through breeding, and adapting new crops and plants (textiles, oleaginous plants, forage crops, sugar, fruits, and forest trees); (f) increasing animal production and, hence, increasing the production of meat, milk, and eggs; (g) improving animal and vegetable health; (h) improving the utilization of surplus production and byproducts; and (i) improving storage facilities and transportation. In some respects the Corporation appears to compete with the Ministry of Agriculture.

The war retarded accomplishment of the Corporation's original plans but, in many ways, facilitated its operations. The Corporation has assisted in the stabilization of the Chilean economy in the face of wartime dislocations. It has initiated and financed the accumulation of stock piles of essential materials. It has imported idle industrial plants from the United States. Its wartime activities included the expansion of industrial plants, which helped alleviate shortages resulting from wartime export restrictions of other countries and inadequate shipping facilities; the development of a merchant marine to aid transportation; the erection or expansion of numerous factories; the expansion of the fishing industry; the expansion of lumber production; expansion of textile production; and the construction of a hemp-fiber processing plant, which is soon expected to be modernized by importations of machinery from the United States. Some of these activities have been of considerable value to Chilean agriculture.

The Corporation's budget for agricultural activities in 1945 emphasized continued mechaniza-

tion as a stimulus to increased production; extension of irrigation systems and the improvement of existing ones; the construction of dams, intakes, and canals; and the drainage of swamps. Especial attention is being given to experimentation in sugar-beet culture. Attempts will be made to improve the condition of the cattle industry by breed improvement, to construct silos and stables, and to devise methods, if possible, of combating animal diseases, especially foot-and-mouth disease. Funds are expected to be made available also for carrying out reforestation plans.

Transitional and Postwar Prospects

The Chilean economy is quite different from that of the tropical and semitropical Latin American countries. Because of this, Chile's international trading position is different also. Like tropical and semitropical Latin America, however, Chile remains to a high degree a raw-material-producing country and, as such, is dependent upon the measures adopted by the great industrial trading nations. Chile's stability depends largely upon the economic stability of these nations. Increased controls over the internal Chilean economy will depend mainly upon world conditions.

If overseas markets fail to absorb Chile's production of copper, nitrates, and other minerals in the postwar period, there probably will be a shortage of exchange with which to buy essential imports. A decline in the mineral industry, therefore, would probably stimulate efforts to develop a greater export trade in agricultural, pastoral, forest, and aquatic products, such as those derived from whaling. A greater export trade in commodities from these sources would necessitate overcoming the system of poor land utilization imposed, in part, by the mode of land tenure; overcoming improper soil management, including the development of a system of soil conservation and fertilization; improving agricultural techniques, both mechanical and genetical; and improving domestic handling, storage, and transportation facilities, all of which will demand a continued investment of capital.

The Chilean Commission on Agriculture in the Postwar Period²¹ is planning an adjustment of

²⁰ The latest available data.

²¹ The Institute of Agricultural Economy established this Commission in August 1943, at the request of the President and the Minister of Agriculture.

Chilean agriculture to postwar world conditions. This Commission has pointed with warning to the uncertain future of copper and nitrates, which represent three-fourths of the value of the country's exports. In relation to nitrates, a prediction has been made that at the end of the war the United States, after supplying its own necessities, will be able to export a quantity equivalent to the normal exportable output of Chilean nitrate. The Commission, in this connection, stated that—

. . . it is dangerous from every point of view for the country's economy to be limited to only two products. . . .

It is evident that on account of its population, natural resources, and geographic position, Chile can obtain greater solidity and greater diversification in its economy only by developing in a special way its manufacturing and agricultural industries.

Unfortunately such a task is not easy, as both industries have not been a part of an economy which must struggle in international markets. The background of these industries has been based on the utilization and the enjoyment of monetary advantages, which in turn were brought about largely by the lack of competing products. For that reason, the production costs for neither have received the attention they deserved, but have been isolated behind artificial protectives and customhouse barriers. . . .

The Commission has emphasized that the country has only one defense to use in protecting its future economy—low production costs. In order to lower production costs, the Commission advocates scrutinizing all productive activity and eliminating manufactured articles or foodstuffs the production of which is made possible only through high prices. The Commission has pointed out, moreover, that the over-all increase of production of agricultural commodities in Chile during the 5-year period 1938–42, inclusive, was low.

The Commission maintains that, in the future, the country must shift more quickly from an extensive to an intensive system of agriculture more suited to the topographic, climatic, and soil conditions of the country. It maintains that probably it will be necessary to produce more fruits, vegetables, fibers, medicinal plants, and specialized industrial crops and to give less importance to the old cereal and livestock pattern of farming prevalent since Spanish colonial times. The Commission believes that there are many possibilities for increased trade in largely noncompetitive "off-season" perishable fruits.

The Chilean Ministry of Agriculture is also developing a system of planned agriculture for the

postwar period, which is not related to the program of the Fomento Corporation. A decree recently was signed by the President of Chile²² by means of which a vast, new 18-year Agricultural Plan (*Plan Agrario*)²³ is made effective. It is the product of a study, in progress for over a year, which was made by special committees of agricultural technicians representing each major phase of activity of the Chilean Ministry of Agriculture. Its purpose is to develop national self-sufficiency in agricultural products insofar as climate and soil permit and to decrease cost of production.

The Ministry's Plan²³ will involve (1) the irrigation of 1,013,000 acres of land; (2) the improvement of the irrigation facilities of 247,100 acres already under irrigation; (3) the preparation of soil maps for the country; (4) the preparation of land-use surveys; (5) the conservation of soil and other natural resources; (6) the formation of processing and marketing agencies, such as a Meat Packing Corporation, a Lumber Corporation, and a Consortium of Flour Millers; (7) the expenditure of capital for investments in public works and for loans to individuals and private companies. Of the proposed expenditure of 15,500 million pesos (\$501,618,000), 85 percent was allotted to roads, bridges, lands, mechanization, and irrigation.

The inclusion of lands in this grouping leads one to believe that land reform of some nature is anticipated. An additional 11 percent will be expended on livestock improvement, research, rural housing, and the food industries. The first expenditures approved by the President pertain to the latter. Expenditures were granted for agricultural schools, experiment stations, and laboratories in various localities, a grain drier, a cold-storage plant, soil surveying, crop reporting, agricultural extension, a fruit-dehydration plant, seed-purification plants, and animal-quarantine mobile units. Credit was established for the purchase of nationally made farm machinery.

Finally, a Six-Year Plan of Public Works²⁴ has been developed by the Chilean Government, which will operate through the transitional period from war to peace and thence into the postwar period

²² WILSON, JAMES PARKER. CHILE'S NEW AGRICULTURAL DEVELOPMENT PROGRAM. U. S. Cons. Rpt. No. 231, 3 pp. Santiago. May 29, 1944. [Hectographed.]

²³ GUEST, PAUL L. CHILE'S VAST, NEW AGRICULTURAL PLAN ADOPTED OFFICIALLY. 4 pp., illus. U. S. Cons. Rpt. No. 93. Santiago. February 20, 1945. [Hectographed.]

²⁴ HAZELTON, NORRIS S. PUBLIC WORKS BILL ENACTED. U. S. Cons. Rpt. No. 153, 8 pp. Santiago [Chile], April 2, 1945. [Hectographed.]

proper. This became effective by the signing of a Public Works Bill, Law 8080, on January 26, 1945. This bill will necessitate an estimated total expenditure of 3,000,000,000 pesos (approximately \$100,000,000) during the coming 6 years, 24 percent of which has been allocated to irrigation and other land improvements.

This program is expected to contribute directly to the over-all economic development of Chile. Moreover, it is expected to have potential importance as an aid to agriculture and as an employment measure which might be useful during the postwar period, when Chile's economy may have to undergo considerable readjustment.

United Kingdom Production and Marketing Policy for Sheep

by DAVID D. JONES*

Sheep raising has shared in United Kingdom governmental assistance to livestock production and marketing since the early 1930's. Since the beginning of the war, the production of mutton and lamb has been promoted by the payment of a bonus to farmers for grazing sheep on otherwise unprofitable hill pastures. Notwithstanding, sheep numbers had declined more than 20 percent by 1945 as compared with 1939, owing chiefly to the extensive wartime plowing up of grassland for the production of food crops. The Government seeks to encourage higher postwar output by a policy of an assured market and a guaranteed price for fat sheep.

Prewar Controls

United Kingdom governmental restriction of meat imports under the Ottawa Agreements Act, 1932, marked the beginning of official assistance to the then-depressed domestic livestock industry, including sheep. Import quotas were established on the basis of actual imports from July 1, 1931, to June 30, 1932, a period known as the "Ottawa Year." Previously about 60 percent of the country's mutton and lamb supply had been imported.

Imports of frozen mutton and lamb from non-Empire countries were regulated, beginning in November 1932. The scale on which the quotas were determined began at 90 percent of the non-Empire imports during the "Ottawa Year." It then fell by an additional 5 percent each quarter until it was reduced to 65 percent of the base period in the second quarter of 1934. After that, the amount of imports from non-Empire sources remained substantially the same.

Imports of frozen mutton and lamb from Empire countries were subject to special agreements after the beginning of 1935. Those arrangements aimed at maintaining such supplies at approxi-

mately the 1934 level. In actual practice, however, such Empire imports tended gradually to increase. The proportion they were of total mutton and lamb imports reached 81 percent in 1937 as compared with a 1929-31 annual average of 65 percent. New Zealand benefited most, but Australian supplies increased considerably as well.

Prices of the New Zealand products, especially, were well maintained after 1934, notwithstanding increased supplies. Prices of domestic mutton and lamb also rose somewhat. In 1939, however, the value of the home product dropped considerably by reason of an abnormally large increase in the domestic supply. At the same time, there was a slight rise in the price of Empire imports, their volume not having increased as much as that of home production. The result was an amendment to the Ottawa Agreements Act and the issuance of an order under the Livestock Industry Act making all imports of live sheep, mutton, and lamb subject to license after January 1939.

Mutton and lamb imports, like those of pork, were curtailed partly to retard, and if possible reverse, a shift away from the consumption of beef which had been taking place. Those measures, however, could have been really effective and have placed the livestock industry on a self-supporting foundation only in the event of an appreciable increase in the demand for all meats; a demand which did not materialize.

Finally, in 1937, an effort was made to develop the livestock industry along economic lines.

*Office of Foreign Agricultural Relations.

This article is the last of a series dealing with United Kingdom Government policy as related to the production and marketing of certain types of livestock and livestock products. For earlier statements, see FOREIGN AGRICULTURE 9: 105-108, 156-160, and 8: 282-284.

whereas, before that time, the enterprise had merely benefited at the expense of the Government and the consumer without being given any inducement to increase its own efficiency. Under the Livestock Industry Act of that year, provision was made for subsidy payments on a quality basis to encourage livestock improvement through more selective breeding and efficient management. Animals were examined at approved certification centers for a small fee, which sum was applied toward the expense of maintaining the centers. The schedule of fixed prices for sheep was based on the then-prevailing competitive market prices, to which was added the subsidy payment. The overall guaranteed price averaged 10 pence (18 cents) per pound, and payment was planned on as many home-killed sheep as the Ministry of Agriculture deemed the domestic market capable of absorbing. The plan, however, as applied to sheep only became effective in June 1939 so that the early outbreak of war allowed almost no opportunity for testing its effectiveness.

A Livestock Commission appointed by the Minister of Agriculture and the Secretary of State for Scotland was established by the act. That body was charged with the development of better marketing methods and facilities and with reducing costs through the improvement of markets and abattoirs. It was to establish experimental abattoirs and promote research and education in the general field. To assist the Commission, a Livestock Advisory Committee was also appointed by the Minister and the Secretary. Representative of producers, auctioneers, local authorities, and other interests directly affected by the operation of the act, it contained independent members as well.

The Commission was thus to keep the production, marketing, and sale of livestock constantly under review. No new market might be opened without its approval. On the Commission's advice, the Minister of Agriculture could specify what markets should be held in a given locality and close any considered superfluous. Those markets benefiting by such action, however, had to contribute to a fund for the compensation of persons who had had businesses in markets which were closed. The conduct of livestock auctions could also be regulated.

At larger markets, a farmer could contact a Government agent and obtain quotations relayed from wholesale buyers on any livestock he wished to sell. If the farmer was not satisfied with the offers re-

ceived, he neither had to sell his animals nor had he wasted any time or money in negotiations for their disposal. On the other hand, if he decided to sell them, the stock were shipped direct, were graded by the Government agent after slaughter, and the farmer was paid without having transport or commission charges deducted.

Despite the obvious advantages to the stockman of the system described above, only a small fraction of the country's livestock were sold in that way before the war. Usually, as was the long-established custom, the farmer retained his interest in animals until they were sold, alive or dead, through a commission agent in a larger market to a wholesale butcher. The farmer thus continued to pay both transport and commission charges and ran the risk of getting poor prices as well.

Before the war, the great majority of the numerous abattoirs were small and largely unregulated. Maintenance costs were high, and operations were not on a sufficiently large scale to make use of offal. Some locally bought animals were slaughtered by butchers. Otherwise, the slaughtering was usually done at or near the wholesale markets.

Wartime Control

Upon the outbreak of war, as part of the Government's emergency agricultural program, the newly formed Ministry of Food directed that from September 13, 1939, all sales of fat sheep had to be through livestock markets and not on farms. The previously established minimum price of 10 pence (18 cents) per pound was then fixed as a maximum.

That temporary position changed when the Ministry of Food assumed complete control of all domestically killed animals early in 1940. From then on, that agency bought all livestock offered for sale, at fixed prices. Farmers were required to give 12 days' notice to the appropriate designated collecting center of the number of animals they desired to sell.

Private slaughter of sheep was prohibited in January 1940. Fat sheep going to the above-mentioned collection centers were there graded on the hoof by a panel of three, composed of a farmer, a butcher, and an auctioneer. The farmer and butcher members were paid $\frac{3}{4}$ penny (1 cent) each, for every sheep graded. All tolls, weighing charges, and other expenses incurred in connection with the marketing, collection, purchase, and

slaughtering of the animals were covered by flat-rate payments into an Auctioneers' Pool at each market. For sheep, the rate was 9 pence (14 cents) per head. Farmers were paid fixed prices on a live-weight basis according to grade and killing-out percentage.

The number of abattoirs in the country was drastically reduced from 16,000 to 800. In those that remained, all slaughtering was done for the Ministry of Food by contractors working on a headage rate.

The Ministry was further responsible for delivering meat to the wholesale distribution depots from the abattoirs in the case of home-killed animals and from the ports in the case of imported meat. At the wholesale depots, meat was allocated to retail butchers by Ministry officials. The prices charged retail butchers included delivery of the meat to their shops. They had the option, however, of performing that service for themselves and of receiving a rebate of $\frac{1}{8}$ penny ($\frac{1}{2}$ cent) per pound on the price of their purchases.

The Ministry of Food also became the sole importer of meat after war began. Supplies acquired reached consumers through the agency of the Meat Producers National Defense Association, an organization composed of persons who had previously been privately engaged in the meat-import trade.

Sheep rated third priority, after dairy and beef cattle, in the allocation of available concentrated feedstuffs. A rationing system for such commodities was inaugurated in February 1941. Its purpose was to secure the preferential distribution of feedstuffs to those classes of livestock whose maintenance was most important from a food and nutritional standpoint and to ensure equity of treatment for owners of livestock for which full provision could not be made.

Up to February 1941, concentrated feedstuffs were allocated by the Government to merchants and by the latter to their customers on the basis of prewar purchases. After that time, as the result of uneven distribution, and because of increasing

shortages, a rationing scheme for concentrated types of feed was instituted. Home-produced bulky items remained unrationed. Farmers were allowed to keep any home-grown feed grain, although the amount was taken into consideration when an individual's ration allowance was determined by the feedstuffs officers of the respective County War Agricultural Executive Committees. Farmers were required to register with not more than three supply merchants and to deposit their coupons within a few days after receipt with the merchants selected, thus enabling the latter to order the supplies needed.

From early in the war through 1943, a special bonus of 8s. (\$1.61) per breeding ewe was paid to encourage sheep raising on hilly land which would ordinarily not be considered economical even for grazing. In 1944, that amount was reduced to 6s. (\$1.21) but was raised to 7s. 6d. (\$1.51) in 1945. On hill sheep, the bonus has been paid in addition to the regular production subsidy on all sheep, which, as estimated for the year 1943-44, amounted to 18s. 6d. (\$3.73) per head slaughtered.

The 1934-38 average price for fat sheep was 10 pence (20 cents) per pound, dead weight. With the incorporation of the general production subsidy, there was a rise to 16 pence (27 cents) by 1943-44. The 1944-45 average price was 17 $\frac{1}{2}$ pence (28 cents) per pound. For 1945-46, an over-all average increase of $\frac{3}{4}$ penny (1 cent) has been scheduled.

Trends in Sheep Numbers

The wartime decline in the sheep population of the United Kingdom mainly resulted from the plowing up of 7,000,000 acres of grassland for the purpose of producing food crops. Furthering the inevitable decrease in flocks was the reduction, by 6,000,000 long tons (6,720,000 short tons), of feed-concentrate imports. The greater-than-usual diversion of cereals to human consumption and a shortage of skilled labor were also contributing factors. From a 1936-38 annual average of

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25,785,000, the number of sheep declined by 22 percent to 20,053,000 in 1945.

During prewar years, neither domestic production nor total imports varied greatly. The largest change to take place then was the previously mentioned gain of the Empire over the non-Empire products. The country's sheep numbers had remained relatively stable as far back as 1930 (table 1). No wide fluctuations had occurred, until the wartime decline set in, despite the Government's institution of mutton and lamb import restrictions and domestic-production subsidy payments early in the last decade. As of 1944-45, domestic production of mutton and lamb had declined by an estimated 30 percent from the prewar period. In 1934, somewhat more than two-fifths of all United Kingdom mutton and lamb supplies were home-produced (table 2).

Just before the war, lamb had been gaining in favor over mutton with the consequence that a higher percentage of young animals were being marketed. During the war, emphasis was necessarily placed on feeding all livestock to heavier weights in the interest of increased food production. The earlier trend may be resumed, however, when more normal market conditions return.

TABLE 1.—*Number of sheep in the United Kingdom, June 1, 1930-45*

Year	Sheep over 1 year	Sheep under 1 year	Total
	<i>Thousands</i>	<i>Thousands</i>	<i>Thousands</i>
1930	13,965	10,704	24,669
1931	14,943	11,431	26,374
1932	15,501	11,703	27,204
1933	14,992	11,660	26,652
1934	13,784	11,160	24,944
1935	13,680	11,382	25,062
1936	13,622	11,418	25,040
1937	13,486	12,055	25,541
1938	14,987	11,788	26,775
1939	14,785	12,102	26,887
1940	14,782	11,537	26,319
1941	12,967	9,290	22,257
1942	12,150	9,356	21,506
1943	11,617	8,766	20,383
1944	11,592	8,516	20,108
1945 ¹	11,660	8,393	20,053

¹ Preliminary.

Official statistics.

Official Postwar Plans

On December 5, 1944, the Minister of Agriculture outlined a livestock price-fixing policy for the following 4 years. To encourage a substantial increase in milk production and a revival in the raising of cattle and sheep for meat production, he proposed an assured market and guaranteed minimum prices for milk, fat cattle, calves, sheep, and

lambs until the summer of 1948. Every February within the 4-year period, representatives of the Ministry of Agriculture and Fisheries and the farmers' unions were jointly to review the general financial position of agriculture in the United Kingdom according to the economic and financial information available. Any annual adjustments in the price of sheep that were to be made as the result of such review were to relate to prices from July 1 of the same year.

TABLE 2.—*United Kingdom mutton and lamb supplies, 1930-39*

[Dressed weight, exc. offal]

Year	Domestic production	Imports	Total supplies
	<i>Million pounds</i>	<i>Million pounds</i>	<i>Million pounds</i>
1930	497	731	1,228
1931	517	819	1,336
1932	585	788	1,373
1933	645	765	1,410
1934	589	740	1,329
1935	556	774	1,330
1936	414	727	1,141
1937	419	784	1,203
1938	473	807	1,280
1939	533	760	1,293

Official statistics.

In disclosing the agricultural program of the new Labor Government to Parliament on November 15, 1945, the Minister of Agriculture said:

The existing system of fixing prices for fat livestock, milk, and eggs will be developed so as to cover the period after June 1948 when the existing guarantees would otherwise cease to operate. . . . the Government propose to institute a new system of overlapping four-year periods with biennial reviews.

Such a policy gives promise of restoring sheep raising at least to prewar levels of production. The liberalization of feedstuff rations in June 1945 is expected to provide some additional incentive in this direction. With sheep relying for food mainly on grass in summer and arable crops in winter, they are adaptable to both grassland and arable farming. The practical limitation on their adaptability to the latter type is, however, the high production cost incurred when they are run on arable land.

Since the beginning of the war, New Zealand has furnished most of the mutton and lamb imported into the United Kingdom. Contracts extending until September 30, 1948, have been negotiated with New Zealand and Australia for their exportable surpluses of those meats. That has been done to help ensure the adequacy of postwar mutton and lamb supplies during the time required to restore the United Kingdom's own flocks.

